

**DATE:** June 28, 2010

**TO:** Thomas J. Bonfield, City Manager

**THROUGH:** Wanda S. Page, Deputy City Manager

**FROM:** David Boyd, Finance Director  
Keith R. Herrmann, Deputy Finance Director  
Claiburn B. "Butch" Watson, Treasury Manager

**SUBJECT:** 2010 General Obligation Bond Referendum

### **EXECUTIVE SUMMARY**

At the June 10, 2010 City Council meeting staff was directed to bring forward the actions necessary to place a \$20 million General Obligation (GO) Bond referendum on the November ballot the proceeds of which would be allocated to street resurfacing. The actions included herein, which introduce the Bond Order and set the related public hearing are the second of three steps required to do so.

On June 21, 2010, the City Council adopted three resolutions as the first actions required to meet the strict deadlines related to the referendum process and this action will be followed by a public hearing on July 22.

### **RECOMMENDATION**

The Finance Department recommends that City Council introduces a Bond Order authorizing the issuance of \$20,000,000 General Obligation Street Bonds and adopts a resolution setting a public hearing on the Bond Order for July 22, 2010.

### **BACKGROUND**

In the State of North Carolina public approval via voter referendum is required for the City to issue GO Bonds. The referendum will ask voters to approve a bond order that authorizes the issuance of the bonds for a specific purpose – in this case, road resurfacing. If the referendum passes, the City will have the authority to issue debt in accordance with the bond order for a period of seven years.

The City last issued GO Bonds for street resurfacing in 2007. The \$20 million issuance included \$15 million for road resurfacing which was to take place over a three year period ending in 2010. To date all but \$690,000 of that \$15 million is either spent or under contract.

At its June 21, 2010 meeting the City Council adopted the following resolutions:

- Resolution directing the publication of notice of intention to apply to the LGC for approval of bonds.
- Resolution authorizing the Finance Director to apply to the LGC for approval of the City's proposed GO bond financing.
- Resolution making certain statements of fact concerning the proposed bond issue.

## **ISSUES/ANALYSIS**

In evaluating the effect of any new debt service related to the new bonds, it is estimated that a tax of 0.76 cents per \$100 of assessed value would be sufficient to support the first full year of debt service on a \$20 million 20 year issuance and that the required tax would decrease in each subsequent year. Additionally, the new debt would maintain the City's capacity to fund future planned capital projects as the sizing of this new issue would keep the City's debt to appropriation ratio below the 15% level that has been used a measure of overall debt load.

<b>Year</b>	<b>Debt Service</b>	<b>Tax Required to Support Debt</b>	<b>Debt/Appr Ratio</b>	<b>Remaining Debt Capacity</b>
2012	\$1,800,000	0.76	14.27%	\$25.3 Million
2013	\$1,760,000	0.67	14.02%	\$36.2 Million
2014	\$1,720,000	0.64	13.68%	\$50.3 Million
2015	\$1,680,000	0.61	12.51%	\$99.1 Million
2016	\$1,640,000	0.58	10.30%	\$197.2 Million

Pending a successful voter referendum on the issue, the exact timing of issuing the bonds would be dependent upon the expected timing of actual resurfacing spending, overall City cash flow needs as well as coordination with other planned debt activities.

## **ALTERNATIVES**

If the City Council desires to place the referendum on the ballot in November there are no alternatives to this action.

## **FINANCIAL IMPACT**

As indicated above, a \$20 million, 20 year GO Bond issuance is estimated to result in first year annual debt service of \$1.8 million which would be paid from the City's General Fund. A tax of 0.76 cents would be required to service this new debt.

## **SDBE SUMMARY**

There are no SDBE issues with regard to this item.

## **Attachments:**

- Bond Order
- Resolution regarding a bond order authorizing the issuance of \$20,000,000 general obligation street bonds of the City, setting a public hearing thereon and directing publication of a notice of said public hearing.
- Notice of Public Hearing